

MEMORANDUM FOR: All NOAA Senior Executive Service (SES), Scientific and Professional (ST) and Senior Level (SL) Rating Officials

FROM: Eduardo J. Ribas
Director for Workforce Management

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SUBJECT: FY 2006 End-of-Year Guidance for Senior Employees

RESPONSE DATE: October 27, 2006

We are drawing to the close of our third year under the Senior Executive Service (SES) pay for performance system. The Department of Commerce, based on the U.S. Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) review of the previous two-year performance cycle results, has been granted provisional certification for Calendar Year 2006. Our continued investment in a performance system that focuses on achieving business results and making meaningful distinctions in performance ratings, performance-based pay adjustments, and bonuses is critical to our obtaining continued certification.

Provisional certification affords us the opportunity to pay our highest performing SES members above level III of the Executive Schedule (\$152,000 in 2006), and up to level II of the Executive Schedule (\$165,200 in 2006). The higher aggregate compensation limitation, which includes base pay and an Executive's bonus potential, is capped up to the Vice President's salary (\$208,100). We are assuming that the President will grant an annual comparability pay increase which will increase the levels of the Executive Schedule to \$156,100 for level III and \$169,700 for level II. DOC is seeking 2007 provisional certification for its Scientific and Professional (ST) and Senior Level (SL) positions. Once ST/SL certification is received, you will be notified immediately regarding the associated flexibilities. ST/SLs remain capped at level III.

The Department's Senior Employee End of Year guidance continues to make progress toward linking executive accomplishments with furthering the Department's mission, goals and priorities. Essential elements include:

- an organizational assessment of bureau performance;
- a process for ensuring senior employees' ratings (as well as subordinate employees' performance expectations and ratings for those with supervisory responsibilities) appropriately reflect the employee's performance measures and any other relevant factors;
- ensuring meaningful distinctions based on relative performance, thereby strengthening the link between performance and pay;
- specific pay adjustment criteria for senior executives rated Outstanding, Commendable,

- or Fully Successful;
- ceilings established for performance-based pay level adjustments and bonuses;
- a bonus pool for FY06 of 7 percent of aggregate salaries; and
- greater emphasis on specifically identifying measurable results.

The organizational assessment referenced above will include a report on each bureau's overall performance as it relates to its Government Performance and Results Act (GPRA) goals, programs assessed by the OMB PART process, status with the President's Management Agenda scorecards, and annual performance plans as well as targets and other appropriate indicators. We expect **DOC's organizational assessment of NOAA to be issues on October 20th. No summary rating recommendations (e.g. Outstanding, Commendable, and Fully Successful) may be finalized prior to receipt and consideration of the bureau organizational assessment.**

Our Performance Review Board (PRB) will continue to critically examine performance appraisals' linkages and alignment to strategic goals, results, and accountability and performance distinctions in executive's subordinates' ratings as well. They will make recommendations to Under Secretary Lautenbacher who will continue to serve as our bureau assessment official. Deputy Secretary Sampson will serve as the Senior Assessment Official certifying that DOC supports and adheres to the certification regulations.

The Department's performance management system holds senior employees accountable for their individual **and** organizational performance, and supports a strong performance culture as well as the attainment of the agency's mission, goals and objectives. The nine certification criteria constitute the broad principles that will guide the Department in the strategic use of its senior employee performance appraisal systems. These nine certification criteria can be found at **<http://www.opm.gov/oca/compmemo/2004/2004-13-ATT1.asp>**

As we move toward the Department's December 21st goal for bonus payouts, NOAA has established a timetable for its FY06 SES/ST/SL year-end performance activities. Again this year, NOAA will be required to move quickly and use our time wisely as we closeout the Senior Employee performance cycle. This allows no room for error and no room for extensions. All supervisory assessments must be "use ready" when submitted, as there will be only limited opportunity to go back and strengthen justifications associated with ratings and award recommendations. We will continue to work together to bring this performance cycle to closure, and only through cooperation and teamwork can we be assured of success.

The attached package provides information regarding senior employee performance appraisal activities scheduled in the coming weeks. Please refer to the following for due dates, guidance, and supplemental information:

- A: Timetable of SES/ST/SL End of Year Activities
- B: NOAA's Performance Appraisal Process
- C: SES Generic Performance Rating Guide
- D: Documentation Requirements Table
- E: FY 2007 Presidential Rank Awards Program Instructions

- F: Performance Justification Summary
- G: CD-518 DOC Signature Page
- H: SES Rank Award Nomination Form
- I: ST/SL Rank Award Nomination Form

In addition, there are several key points to consider as you commence with closing out this year's performance cycle for NOAA's senior employees.

Supervisory Assessments

Accomplishments for each performance element must provide clear reference and/or strong connection to ratings received on the executives' performance agreement. Therefore, each supervisory assessment should include a narrative justification for each element which clearly describes: individual and organizational performance; the executives' respective area of responsibility; the numbers utilized to reflect results to the extent you can; and focus on a few measurable results, outcomes and impacts to the DOC and NOAA mission. A description of the associated achievements made during the performance cycle. **When formatting supervisory-assessments, you must utilize the Department's new Performance Justification Summary sheet that can be found in Attachment F. The entire supervisory-assessment should be one to two pages in length with no smaller than 0.7" margins and font no smaller than 12 pitch. Supervisory assessments longer than two pages in length will be considered non-compliant with this guidance.**

Performance Differentiation and Ratings

A key premise of performance differentiation is that the appraisal process reflects meaningful distinctions among executives based on their relative contribution to agency performance. Attachment C, SES Generic Performance Rating Guide (GPS) provides a common reference to apply to each critical element in the performance agreement. If a rating is "Commendable" or "Outstanding," senior executives are eligible to receive a bonus. Additionally, a "Fully Successful" or higher rating may be recommended for a pay adjustment if the appropriate criteria are met. When considering such awards, note that the narrative write up of the employee's performance may be used to justify a bonus and/or pay adjustment recommendation. Narrative summaries must clearly and strongly support the assigned rating of record, that is the assigned rating should closely comport to the applicable performance rating level definitions contained in the GPS, Attachment C of this memorandum.

Pay Level Adjustments – Criteria for Commendable and Fully Successful Ratings

The Department has established ceilings for pay level adjustments. Similar to last year, a Fully Successful rating may receive up to 2%; Commendable up to 4%; and Outstanding up to 6%. OPM certification requirements mandate pay differentiation among executive's pay based on individual performance and/or the greatest contribution to agency performance. Only the agency's highest performing senior executives generally should receive any type of pay adjustment that raises or keeps a salary above the rate for Level III of the Executive Schedule (currently \$152,000 for 2006, approximate proposal \$156,100 for 2007). **The Department's pay**

policy stipulates that only in limited circumstances may executives rated Commendable receive a performance-based pay adjustment that would result in their salary exceeding the rate for level III of the Executive Schedule.

For those executives who receive a Commendable rating and receive a pay adjustment that results in their salary exceeding level III, one of the following 4 criteria must be met and clearly articulated in the narrative justification:

1. Significant scope of responsibility of the position;
2. Demonstration of a high level of individual performance on a particular matter;
3. An exceptionally meritorious accomplishment; or
4. Making a particularly significant contribution to the Department.

Executives rated Commendable currently with salaries above level III (\$152,000 for 2006, proposed \$156,100 for 2007) must also meet the above criteria to receive a performance based pay adjustment. It should be clear to the reader and definitively spelled out in the narrative, the basis (criteria 1,2,3 or 4) for rewarding the executive with a pay increase exceeding level III.

Executives with a rating of Outstanding, Commendable, or Fully Successful may receive a performance based pay adjustment up to Level III as long as their accomplishments and narrative justification warrant the assigned rating.

Bonus Pool

The Department has announced the bonus pool this year will be 7%. Note that as in years past, 10% of the bonus allocation for each pool will be retained by the Under Secretary for distribution at his discretion. **Remember, bonus amounts are computed as a percentage of pay, and only career executives are eligible to receive a bonus. Also note the bonus and pay adjustment recommendations are not final and should not be discussed with executives until they are approved by the Department. The Workforce Management Office will provide estimates of your bonus pool by September 8th.**

Presidential Rank Awards

The 2007 Presidential Rank Award nominations will continue to be submitted as part of the end-of-year process for senior employees. OPM is considering revamping the Rank Award program and may have some changes that could impact 2007 nominations. You will be advised accordingly of any changes to this guidance. The Presidential Rank Awards were established to recognize a select group of career executives who have provided outstanding service to the American public over an extended period of time. SL and ST employees are eligible to be nominated for Presidential Rank Awards. I encourage you to consider nominations for this prestigious honor. Guidance on submitting Presidential Rank Award nominations and the award forms are found in Attachments B, E, H and I.

FY 07 Performance Plans

DOC is implementing a new Performance Agreement form for FY 07. Line and Corporate Office Directors must certify via e-mail that new performance plans for the FY07 cycle are in place by November, 1st. This implementation is a requirement of the OPM certification process. At this time guidance on the new form and associated direction for '07 has not been issued. When we are notified we will issue '07 guidance to you. Corporate Performance Measures (CPMs), critical to aligning NOAA's strategic goals with measurable performance targets are available at <https://www.ppbs.noaa.gov/performance.html>. As a reminder, OPM requires that senior supervisory employees clearly link subordinates' performance expectations to organizational goals and make performance distinctions in the appraisal of their subordinates. For accountability to "cascade" throughout the organization, all Senior Employees are responsible for ensuring their subordinates' performance plans reflect organizational expectations, measures, and other appropriate factors. Notification regarding implementation of FY07 Senior Employee performance agreements must be sent to Claudia.McMahon@noaa.gov, not later than Wednesday, November 1, 2006.

Conclusion

The NOAA End-of-Year Guidance for Senior Employees and associated attachments will be placed on the NOAA Workforce Management home page at www.wfm.noaa.gov no later than August 28, 2006. If you have any questions regarding the contents of this memorandum or the guidance, please contact Claudia McMahon, NOAA's Executive Resources Program Manager, on 301-713-6306.

Attachments (listed above)

cc: Line and Staff Office Executive Resources Liaisons